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PAMOUR PORCUPINE MINES, LIMITED

ANNUAL REPORT 1970



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PAMOUR PORCUPINE MINES, LIMITED

EXECUTIVE OFFICE: SUITE 1700 — 44 KING STREET WEST, TORONTO 1

DIRECTORS

Edward Futterer	-	-	-	-	-	-	-	-	-	-	-	Toronto
K. C. Gray	-	-	-	-	-	-	-	-	-	-	-	Toronto
P. D. P. Hamilton	-	-	-	-	-	-	-	-	-	-	-	Toronto
R. V. Porritt	-	-	-	-	-	-	-	-	-	-	-	Toronto
W. S. Row	-	-	-	-	-	-	-	-	-	-	-	Toronto
D. E. G. Schmitt	-	-	-	-	-	-	-	-	-	-	-	Toronto
J. H. Stovel	-	-	-	-	-	-	-	-	-	-	-	Toronto

OFFICERS

D. E. G. Schmitt	-	-	-	-	-	President and General Manager
W. S. Row	-	-	-	-	-	- Vice-President
M. J. Slack	-	-	-	-	-	Assistant to the General Manager
B. H. Grose	-	-	-	-	-	- Secretary
E. K. Cork	-	-	-	-	-	- Treasurer

TRANSFER AGENT AND REGISTRAR: Canada Permanent Trust Company, Toronto and Montreal

ANNUAL MEETING: April 13, 1971 — 2.20 p.m. (Toronto Time) King Edward Sheraton Hotel

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dividends paid in the year totalled 15¢ per share, equal to payments in 1969, and to date have totalled \$2.15 per share or \$10,750,000.

The tonnage of ore treated was higher than in any of the preceding 8 years and average grade of 0.133 oz. per ton, though lower than in 1969, exceeded reserve grade and was higher than in any other year since 1940. Income from metal production was second only to 1969 in the last 30 years. Both operating expenses and unit costs were reduced as compared with 1969, but the lower market price received for gold, due to the declining rate of exchange on the Canadian dollar since June 1, and the lack of premium sales on the free market, would have resulted in an operating loss of \$112,000 without EGMA credits of \$507,400.

The Government of Canada is to be commended for its action in extending the EGMA Act definitely until mid-1973 and possibly through 1975, thus minimizing the social disruption and hardship that would otherwise have resulted from closing of operations in a community where employment in gold mining has been predominant.

Investment income of \$505,600 contributed substantially to total net income of \$900,370, third highest for any year since production began in 1936. Ore reserves of 1,530,800 tons averaging 0.124 oz. gold per ton at January 1, 1971 were slightly reduced from 1,571,200 averaging 0.126 oz. one year earlier.

Over the years management has demonstrated concern for the quality of environment at the site of the operations in the attractive landscaping and good housekeeping apparent to visitors in the area. The program initiated some years ago for establishing vegetation on the banks of tailings storage areas was continued to control erosion, reduce dusting and improve the appearance. Construction last year of a new waste stabilization pond and pumping station, as approved by the Ontario Water Resources Commission, will replace the system of septic tanks established 35 years ago.

For reasons of efficiency and economy, the manager of the Pamour mine has had responsibility for the adjoining Hallnor mine for several years. Since November 1, the operating staffs for the two mines have been integrated with the staff of the Aunor mine under the direction of one manager for better utilization of the resources available to each of the companies involved.

Your Directors wish to record their appreciation of the loyal and able services rendered throughout the year by the Manager, Mr. L. S. Brooks, his staff and all employees.

On behalf of the Board,

Toronto, Ontario,
February 10, 1970.

D. E. G. SCHMITT,
President.

EARNINGS PER SHARE	1970	1969
Operating Income (Loss) before EGMA credit	(2.2¢)	9.8¢
EGMA Credit	10.1	5.6
	7.9	15.4
Investment Income	10.1	10.0
	18.0	25.4
Income and Production Taxes	—	3.4
	18.0¢	22.0¢

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1970

	1970	1969
INCOME		
From metal production	\$2,924,078	\$3,543,082
EXPENSE		
Cost of production	2,940,952	2,903,281
Administrative expenses	54,135	105,943
Depreciation	41,657	46,563
	3,036,744	3,055,787
Less recoverable under The Emergency Gold Mining Assistance Act ..	507,400	280,300
	2,529,344	2,775,487
OPERATING INCOME	394,734	767,595
INVESTMENT INCOME		
Dividends from affiliated and associated companies	473,373	465,975
Other dividends and interest	24,076	36,354
Profit on sale of investments	8,190	—
	505,639	502,329
	900,373	1,269,924
PROVISION FOR INCOME TAXES	—	168,500
NET INCOME	900,373	1,101,424
RETAINED EARNINGS		
Balance, beginning of year	4,812,487	4,461,063
	5,712,860	5,562,487
Less dividends	750,000	750,000
Balance, end of year	\$4,962,860	\$4,812,487
EARNINGS PER SHARE	18.0¢	22.0¢

NOTE: Remuneration paid or payable to the five senior officers of the company (as defined by the Corporations Act) amounted to \$51,851.

PAMOUR PORCUP

(Incorporated under the laws of the Province of Ontario)

BALANCE SHEET

ASSETS

	1970	1969
CURRENT ASSETS		
Cash and short term deposits	\$ 167,859	\$ 567,615
Bullion	235,874	246,870
Marketable investments — at cost (quoted market value \$148,100) ..	162,328	242,015
Accounts and loans receivable	17,215	18,463
Income taxes recoverable	96,403	—
Receivable under the Emergency Gold Mining Assistance Act	221,031	217,243
Stores, at cost	396,953	406,792
Prepaid expenses	13,380	13,542
	<u>1,311,043</u>	<u>1,712,540</u>
INVESTMENTS — at cost		
Shares and bonds — associated companies (quoted market value \$9,710,400)	<u>4,970,638</u>	<u>4,601,475</u>
FIXED ASSETS		
Plant, building, equipment and townsite — at cost	2,886,686	2,876,975
Accumulated depreciation	2,682,348	2,641,105
	<u>204,338</u>	<u>235,870</u>
Mine properties — at cost	175,177	175,177
	<u>379,515</u>	<u>411,047</u>
	<u>\$6,661,196</u>	<u>\$6,725,062</u>

AUDITORS' REPORT

We have examined the balance sheet of Pamour Porcupine Mines, Limited as at December 31, 1970 and the statements of operations and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Ontario,
January 27, 1971.

E MINES, LIMITED

(In accordance with the laws of Canada)

DECEMBER 31, 1970

LIABILITIES

	1970	1969
CURRENT LIABILITIES		
Accounts payable	\$ 310,836	\$ 344,875
Taxes payable	—	180,200
	<u>310,836</u>	<u>525,075</u>
SHAREHOLDERS' EQUITY		
Capital stock		
Authorized, issued and fully paid 5,000,000 shares of no par value	1,387,500	1,387,500
Retained earnings	4,962,860	4,812,487
	<u>6,350,360</u>	<u>6,199,987</u>
On behalf of the Board:		
D. E. G. SCHMITT, Director		
W. S. ROW, Director		
	<u>\$6,661,196</u>	<u>\$6,725,062</u>

SHAREHOLDERS

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.,
Chartered Accountants.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1970

	1970	1969
WORKING CAPITAL, beginning of year	<u>\$1,187,500</u>	<u>\$1,243,300</u>
SOURCE OF FUNDS		
Operations —		
Net income for the year	900,400	1,101,400
Depreciation	<u>41,700</u>	<u>46,600</u>
	<u>942,100</u>	<u>1,148,000</u>
APPLICATION OF FUNDS		
Purchase of investments	369,200	350,000
Dividends	750,000	750,000
Fixed assets, net	<u>10,200</u>	<u>103,800</u>
	<u>1,129,400</u>	<u>1,203,800</u>
NET DECREASE	<u>(187,300)</u>	<u>(55,800)</u>
WORKING CAPITAL, end of year	<u><u>\$1,000,200</u></u>	<u><u>\$1,187,500</u></u>

MANAGER'S REPORT

To the President and Directors:

The following summarizes operations at the mine for the year 1970.

MINE

Development

	Feet of Advance		
	1970	1969	To Date
Drifts	1,660	2,255	190,080
Crosscuts	1,845	1,685	50,540
Raises	590	165	79,785
Slope Preparation	5,710	7,790	214,655
	<u>9,805</u>	<u>11,895</u>	<u>535,060</u>

Lateral development consisted of 2,555 feet of exploration in lava formations, 625 feet in east greywacke and 325 feet in conglomerate.

In the east end of the mine 640 feet of this development was in ore averaging 0.16 oz. of gold per ton over drift width.

Diamond Drilling

Exploratory diamond drilling totalled 31,990 feet in 195 holes. This compares with 41,680 feet in 254 holes in 1969.

Drilling in lava formations accounted for 73% of the total footage. The main portion of this was to detail the 46L zone on both the 1600 and 2600 levels. Two unexplored target areas in lavas were tested with negative results.

Except for a minor amount of drilling in conglomerate, the remaining footage (27%) was in greywacke formation to outline known ore occurrences.

Stoping

Stoping was carried on in the east and west sections of the mine with the former accounting for 89% of the total production. Ore mined from lava formations accounted for 23% of the total.

Long-hole stopes produced 50% of the ore milled, shrinkage stopes 45%, flat-dipping slusher stopes 3% and cut-and-fill stopes 2%.

The average grade of the ore mined during the past two years was higher than the estimated average grade of the ore reserves.

ORE RESERVES

Proven ore reserves were reduced by 40,390 tons and the grade decreased slightly.

Estimates of reserves at January 1, 1971, including allowance for normal dilution were:

	Tons	Gold Oz./Ton	Tons	Gold Oz./Ton
Broken:				
East End	343,860	0.105		
West End	117,570	0.098	461,430	0.103
In Place:				
East End	884,030	0.120		
West End	185,410	0.197	1,069,440	0.134
Totals:				
East Ore	1,227,890	0.116		
West Ore	302,980	0.158	1,530,870	0.124

MILL

	1970	1969
Tons milled	633,665	621,940
Tons milled per calendar day	1,736	1,704
Average gold content — oz./ton	0.133	0.147
Average tailings loss — oz./ton	0.007	0.008
Total recovery — %	94.6	94.6
Gold production — ounces	79,799	86,420
Value of production	\$2,924,078	\$3,543,100

GENERAL

The average number of employees on the payroll was 330 compared with 332 for 1969. The complement of tradesmen and miners was slightly below requirements.

An annually scheduled program for seeding to establish vegetation on the banks of the tailings storage areas was continued.

A new O.W.R.C. approved sewage lagoon was put into operation late in the year.

On November 1, 1970, the operating organization for the mine was integrated with those of the Aunor and Hallnor mines in the Porcupine Area under the direction of one manager. This has improved the technical and administrative resources available to each mine and should result in operating economies.

I wish to express my appreciation to the Department Heads and the entire staff for loyal and efficient services rendered during the year.

Respectfully submitted,

Timmins, Ontario,
January 15, 1971.

L. S. BROOKS,
Manager.

